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Soviet Economy Breaks Slump

U.S. Intelligence Agencies Cite Gorbachev's Policies

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The Soviet Union's troubled economy scored its best performance in a decade last year under the new policies of General Secretary Mikhail Gorbachev, according to a study by U.S. intelligence agencies released yesterday.

The report by the Central Intelligence Agency and Defense Intelligence Agency, released by the congressional Joint Economic Committee, said the Soviet economy grew more than 4 percent last year, breaking a decade-long slump in which gross national product growth had averaged just over 2 percent yearly.

The U.S. economy, by comparison, grew at only 2.2 percent last year, its poorest showing in four years.

The best Soviet grain harvest since 1958, increased productivity in industry due to Gorbachev's anti-alcohol campaign, improved discipline, better management and even a turnaround in declining oil production added up to "a very good year," the study said.

"Despite the opposition shown to some of his policies, Gorbachev is likely to benefit politically from his modernization program over the next few years. As long as the economy shows some improvement over the record posted in the recent past—which seems probable—Gorbachev will be in position to declare his program a 'success,' " the study said.

Nonetheless, the study said, "the course Gorbachev is pursuing is inherently risky and things could just as easily go wrong."

This analysis indicated that Gorbachev faces increasingly difficult decisions, and the possibility of rising political and bureaucratic opposition, as his program encounters fundamental limitations and challenges several years from now.

Earlier this week, two U.S. authorities on the Soviet Union said Gorbachev is likely to be ousted in three or four years if he continues his policies. "I don't think he can last four years," Marshall Goldman of Harvard University's Russian Research Institute told a congressional hearing. "He's moving so fast, he's stepping on so many toes."

The CIA-DIA study expressed doubt that over the next four years the Soviet economy can continue 4 percent annual growth, which was described as Gorbachev's "implied goal." Forecasting future performance, the study said Soviet GNP is likely to rise 2 to 3 percent yearly until 1990—which is more optimistic than earlier informal U.S. estimates.

Growth of 2 to 3 percent annually, while better than the recent past, "would still be insufficient to solve all the nation's economic problems" and eventually could lead to new battles over allocation of resources, greater reliance on foreign economic ties and a push for even more ambitious reforms, the study said.

The unexpectedly positive report by U.S. intelligence agencies on Gorbachev's first full year in charge of the Soviet economy contradicted more pessimistic recent reports from Moscow and suggested that Gorbachev may be on more solid ground, at least for now, than is indicated by some Sovietologists. Many scholars have said that a lasting revival of the stagnating economy is Gorbachev's most important objective and that economic gains—or lack of them—are likely to determine his fate.

Some reports from Moscow have told of misleading economic data being published to make results under Gorbachev seem better than they are. A Joint Economic Committee staff aide said CIA and DIA analysts expressed confidence in their data and noted that the agencies have independent means of checking some Soviet economic claims.

The Chernobyl nuclear power plant accident last April, while cost-

ly in the loss of electricity and in the requirement to modify similar reactors for safety reasons, had little impact on agriculture, and that only in the immediate area, according to the study.

Over the next 70 years, radiation exposure from the accident could result in 500 additional deaths among the 135,000 persons evacuated, the study said. So far, 29 persons are said to have died from acute radiation sickness due to the accident.

Alcohol sales plunged 37 percent last year due to Gorbachev's anti-vodka drive, the study said. But food supplies improved and housing construction was up 4.4 percent, the most in 20 years, the study said.

In the military field, the study estimated that overall defense spending in constant prices increased by 3 percent in 1986, which is above the 2 percent figure cited for recent years. This growth does not reflect a change in Gorbachev's military policy, the study said, but represents initial production costs of new weapons systems started before he took office.

Although improving, the Soviet Union remains at least eight years behind the United States in such technology as minicomputers, microprocessors, computer-operated machine tools and main frames, and lags by 10 to 12 years in supercomputers, the report said. "We expect Moscow to continue its massive efforts to steal Western technology," the intelligence agencies reported.

